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THESIS

A HISTORICAL ANALYSIS OF DEPARTMENT OF DEFENSE
BUDGET TRENDS, REQUESTS, AND JUSTIFICATIONS

by

Danny A. Shockley

December 1985

Thesis Advisor:

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A Historical Analysis of Department of Defense
Budget Trends, Requests, and Justifications

by

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Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

--

This thesis is a historical analysis of Department of Defense budget trends, requests, and justifications for the period FY52 - FY84. Changes in GNP from year to year are compared to DOD outlay changes during this period to show the net change in DOD budget performance with respect to the wealth of the nation. Budget justifications are then analyzed for select years to determine if there is a trend in the different types of justifications advocated. This analysis determines how the posture of defense, its justifications, and surrounding environment are related with respect to the relative success of the budget submission.

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I. INTRODUCTION

The evaluation of a government's budget has been a major topic of concern that dates as far back as Plato and Aristotle. Plato took an idealist view that "wise persons" should be in charge of a Government because they encompass the reasoning to best develop the "ideal state". Aristotle took a more practical view of evaluating the advantages and disadvantages of various types of states but still held that governmental decision-making is best served by a legislative body. Another political philosopher, Rousseau, recommends that resources should be pooled together to accomplish things for the good of the state through "general will" [Ref. 1:pp. 7-9].

These great philosophers recommend that we manage our governments with a wise legislative body that will make governmental decisions on expenditure of funds for the good of all people. The Government of the United States can loosely be described as resembling the political view of Plato, Aristotle, and Rousseau. This budgeting concept has endured for more than two hundred years, but not without increasing criticism from the public due to rising budget deficits and defense spending perceived as being out of control [Ref. 2:p. 6].

In order for a government to function it must have money from the people it governs. Before the people of the government are willing to invest their money, the government must provide a sound and reasonable plan for spending the money: a budget. Aaron Wildavsky describes a budget as:

"a document, containing words and figures, which proposes expenditures for certain items and purposes."
[Ref. 3:p. 1]

Wildavsky feels the budget might be conceived as intended behavior or a prediction of how requested funds will be spent. Generally speaking, budgeting can be described as being concerned with the satisfaction of human purposes by use of financial resources. Therefore, budgeting may be classified as a mechanism containing a series of goals that have price tags attached and, when coordinated together to achieve desired objectives, may be called a plan. Wildavsky adds that the Federal Budget can be construed as a contract because it "imposes a set of mutual obligations and controls upon the contracting parties" [Ref. 3:pp. 1-5]. A 1962 George Washington University thesis provided a new term for DOD budgeting:

"BUDGETATION . . . a term that is offered for the purposes of development as a function of imagination, and expressed by the formula: BUDGETATION equals BUDGET plus IMAGINATION." [Ref. 4]

The imagination part of this term describes the tools involved in the justification of a budget before an approving authority. Often it seems that the process of

justification is given more consideration by decision-makers than the actual implementation of the budget.

The budget can also be described as a financial reflection of what the government "intends to do" or perhaps "ought to do" with the people's money. But the budget is inextricably linked to the social, economic, and political atmosphere present at the time of its passage and has been referred to as the lifeblood of a government [Ref. 3: pp. 127-144].

This thesis will attempt to analyze the Department of Defense (DOD) budget over the past three decades. Background information will focus on the history of budgeting, the budget process, and the various methods of measuring the size of the public sector. Data over this 30 year period will include a comparison of how actual Defense outlays have changed with respect to the nation's Gross National Product (GNP). This will serve to reflect how socio-economic conditions (represented by the wealth of the nation as indicated by GNP) have influenced Defense budget outlays. Once the data over this period is stratified into similar groups, additional social conditions present will be reviewed as well as the political tone used in budget justifications by the Secretary of Defense (SECDEF) before Congress. All DOD budget and GNP dollar values will be converted to constant 1972 dollars to enhance evaluations

utilizing appropriate deflators from the Economic Report of the President for 1985 [Ref. 5]. The objective will be to determine how the posture of Defense, its justifications, and surrounding environment are related with respect to the relative success of the budget submission.

II. BACKGROUND

A. HISTORY OF U.S. BUDGETING PROCESS

1. 1789-1910: Formative Years

The primary focus on budgeting during this period was aimed at the legality of expenditures rather than an adequate and understandable record of what was procured with allotted funds [Ref. 6:p. 63]. The reason for this, as explained by Jesse Burkhead, is that the budget system of Great Britain was not fully developed at the time of the American Revolution leaving the authors of the Constitution with nothing to emulate. This, Burkhead explains, is the reason that the Constitution was broad in its requirements for accounting for receipts and expenditures of public funds [Ref. 7:p. 9] when it states:

"No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time. All bills for raising revenue shall originate in the House of Representatives" [Ref. 8]

It was not until the emergence of organized political parties that the President's executive power was used to influence legislation regarding the budgets of government agencies. Many saw this enlarged role of the President as a development overlooked by the writers of the Constitution and felt the President's role in financial

affairs should be limited to one of reporting only, and that budget proposals should originate in Congress because they were considered a project of law [Ref. 7:pp. 9-10].

However, it was the growth of Presidential power that expanded this legislative influence and perpetuated the struggle that still exists between Congress and the Executive Branch over the budget.

A historical summary of this period shows that Congress never made effective use of reviewing actual operations as a tool of control because it was more anxious to control the Executive Branch's influence over the budget process than it was in promoting system efficiency [Ref. 6: pp. 49-50]. This was a considerable influence in the liberal federal financing during the latter part of the Nineteenth Century due to Congress' greater concern of controlling the method of spending rather than how much was being spent [Ref. 7:p. 11]. Another major contributor was the social and economic conditions prevalent during the latter part of this period which are best described by James Bryce:

" . . . America wastes millions annually. But her wealth is so great, her revenue so elastic, that she is not sensible of the loss. She has the glorious privilege of youth, the privilege of committing errors without suffering from their consequences." [Ref. 9:p. 184]

2. 1911 - 1985: Middle Age Crisis

A major component which led to the adoption of budget system reforms was the business community. They

advocated "more business in government" because of a sharp increase in taxes and an increased awareness of graft and corruption which had infected the budget system during the previous forty years [Ref. 7:p. 15]. This period breaks down into three stages.

a. Stage One: Expenditure Control

The official kickoff for budgetary reform came with President Taft's appointment of the Commission on Economy and Efficiency in 1911 [Ref. 6:p. 67]. President Taft sought to establish a national budget system to serve as an instrument of management and control. Taft's commission reported their results to Congress on June 27, 1912 [Ref. 7:pp. 18-19], with five proposals for reform requirements as follows:

- PROPOSAL 1. The need for a comprehensive Executive budget that would cover both expenditures and revenues.
- PROPOSAL 2. The need for a functional categorization of expenditures and a distinction between capital and current outlays for the ease of Congressional review.
- PROPOSAL 3. Make provisions to provide for the program aspect of the budget and the question of economy and efficiency.
- PROPOSAL 4. Establish vertical arrangements that will decentralize responsibilities over various layers to assist the effective execution of the budget.
- PROPOSAL 5. Stress a systematic review of the budget by development of an improved accounting system to assist evaluation of Government work.
[Ref. 6:pp. 67-72]

These proposals were the results of questionnaires sent to other national governments [Ref. 7:p. 19]. They resulted in an Executive budget with the essential ingredients of a budget process that has served as a springboard for all budget reforms since its inception [Ref. 6:pp. 67-72].

As a result of the prestige of the Commission and Presidential support, budgeting was made an issue of national significance that stimulated interest in budgetary reform and sparked voluminous writings on the subject [Ref. 7:p. 21]. Unfortunately, legislative action on these proposals was delayed due to the political situation in 1912. It was not until after World War I that the Commission's efforts were placed into action under the Budgeting and Accounting Act of 1921 [Ref. 6:pp. 67-72].

Many scholars of U.S. Government budget history agree that a budget system was not in place until the passing of this law in 1921:

"On June 10, 1921, Congress passed what is known as the Budget and Accounting Act, 1921, which removed from the government of the United States the invidious distinction of being the only government of first rank that was attempting to manage its financial affairs without the use of a budget as its central instrument of financial control." [Ref. 10:p. vii]

Besides the formation of a budget system, the Budget and Accounting Act of 1921 also provided for a Bureau of Budget (BOB) and the General Accounting Office (GAO). BOB was formed to assist the President in budgetary matters

while GAO was assigned to Congress as an investigative agency [Ref. 6:pp. 72-75]. Since this new budget was conceived under the premise of tax reduction, this continued to be the theme of early budget reform.

b. Stage Two: Management Staffing

The Reorganization Act of 1939 was the direct result of the 1937 President's Committee on Administrative Management. This committee felt that the establishment of an Executive Office would strengthen the management powers of the President and provide a means of planning a complete fiscal system. The President, Franklin D. Roosevelt, asserted that his managerial skills were inadequate to keep up with the growing business of government and set up the National Resources Planning Board and the Bureau of Budget (BOB) under his new Executive Office. The growth of the Executive Office rapidly expanded under this new organization as evidenced by the increase in the BOB's staff from forty to five hundred members [Ref. 6:pp. 78-80]. While the Reorganization Act gave power to the President, the Employment Act of 1946 gave it purpose by charging the federal government with endeavoring to formulate economic policies that would lead to full employment and stable prices [Ref. 11:p. 28]. The Act also provided the President will a small advisory staff, called the Council of Economic Advisors, to inform him of the budget's impact on economic

stability. The following year, the National Security Act increased the size and power of the Executive Office further by establishment of a National Security Council that would integrate domestic, foreign, and military policies [Ref. 6: pp. 81-83].

To this point, all reform action was directed toward the establishment of an Executive national budget and staffing it with ample expertise to administer budget processes properly. This philosophy was later changed due to the Commission on Organization of the Executive Branch of the Government (Hoover Commission) which focused on budgeting methodology rather than staffing [Ref. 7:pp. 134-135]. The Hoover Commission recommended a method of budgeting concerned more with what the government does than with what it buys [Ref 1:p. 23] and was a major stimulus to the adoption of a performance budget by the Federal Government [Ref. 7:pp. 134-135]. The commission emphasized that achievement of improved efficiency should be imposed by departmental efforts and not from top levels [Ref. 6:pp. 85-86]. Performance Budgeting, used extensively through the 1950's and early 1960's, had the advantage of focusing attention on individual programs but did not tell top policy makers anything about how effectively goals were being accomplished [Ref. 1:pp. 23-24]. Performance Budgeting is the climax to this second stage of budget reform concerned

with management orientation and improvement and a measurement of agency budget preparation.

c. Stage Three: Budgeting Techniques

The major emphasis during Stage One was the development of a suitable expenditure control system. Stage Two focused on supplying this system with an adequate management staff that would promote system improvement and provide a means of measurement. Stage Three seeks out the proper approach for management to undertake in linking planning and budgeting to the analytical criteria of welfare economics by streamlining information gathering and decision making [Ref. 12:p. 19].

(1) Planning, Programming, and Budgeting System. The system of planning, programming, and budgeting matches up to three principles: establishing a desired outcome (planning), the structuring of methods in which to achieve the outcome (programming), and the available funds in which to accomplish the outcome (budgeting). It is predicated on the dominance of the planning function and tries to promote effective and efficient government operations through improvement of resource allocation among the various competing needs [Ref. 12:pp. 15-19].

In August of 1965, President Johnson installed the planning, programming, and budgeting system (PPBS) for all agencies of the federal government [Ref. 13:

p. 1]. PPBS was described as a set of goals and objectives that seeks to fulfill the following aims of Charles Schultze, BOB Director at the time of PPBS implementation:

1. "Specification of objectives": forcing government agencies to identify and examine the fundamental aims of their programs
2. "Evaluation of program output as it relates to objectives": analysis of output for a particular program should be put in terms of its goals
3. "Measurement of total system costs": measure program costs as forecasted over several years and not just one
4. "Multiyear program planning": formulation and projection of future programs expected over several years
5. "Evaluation of alternative program designs": achieve desired objectives through the least cost by analysis of alternative decisions
6. "Integration of policy and program decisions with the budgetary process": establishment of systematic analytical procedures as an integral part of the budget review [Ref. 13:pp. 19-23]

Implementation of PPBS offered a sensible, long range method [Ref. 14:p. 138] of allocating scarce resources among competing claims because it clarified the analysis of program objectives, effectiveness, and costs [Ref. 13:p. 23].

(2) Management by Objectives. As with its predecessor PPBS, Management by Objectives (MBO), was popularized in the business community [Ref. 15:p. 101]. The MBO process was considered a more fair and reasonable technique of budgeting because it offered individuals an

opportunity to increase self motivation by setting their own objectives [Ref. 16:p. 309]. The implementation was done more for the sake of change by President Nixon in 1973 than anything else. The MBO purpose was to develop common interest around policy goals of the President but it tended to focus less on costs and more on consequences of government actions. However, MBO never really got its feet off the ground due to a dark shadow cast by Watergate, and like an old soldier just faded away [Ref. 15:pp. 101-102].

(3) Zero-Base Budgeting. Zero-Base Budgeting (ZBB), as a means of DOD budget reform, received more media attention than any other type of contemporary budget technique. Its implementation, as with MBO, was due solely to a change of political power in the White House. It received strong support because of President Carter's successful use of ZBB as Governor of Georgia and its widespread use in other cities and states across America [Ref. 15:p. 102]. Like its two predecessors, PPBS and MBO, ZBB was also a proven success in the business community, specifically with Texas Instruments, before being introduced to governmental budgeting [Ref. 11:p. 272]. The purpose of ZBB was the elimination of duplicate and unnecessary programs by analyzing the effects of deleting current programs and showing decision makers where utilization of funds would be maximized.

ZBB is implemented by dividing the organization into "decision units" such as programs, activities, or agencies. Next, decision unit goals are established and decision packages developed. A decision package equates to the decision units budget and is often required to be submitted across several different levels as described by Carl Grafton and Anne Permaloff:

". . . four decision packages will be prepared The first decision package (1 of 4) is be a bare bones or minimum level budget The second reduced level decision package (2 of 4) . . . might constitute an additional 20 percent of last year's budget Decision package 3 of 4 (current level) would add another 10 percent, and decision package 4 of 4 (improvement level) might provide an additional 10 or 20 percent over last year's expenditures." [Ref. 15:pp. 102-103]

Each decision package is then ranked based on the decision unit supervisor's own judgement and because of the contradiction involved, rarely does he rank any higher level packages (such as "improvement level") above a lower level package (such as "current level"). This aspect of ZBB closely resembles the traditional incremental approach to budgeting [Ref. 15:p. 103] and has caused Robert N. Anthony to proclaim:

"To put it bluntly, the name zero-base budgeting is a fraud." [Ref. 17:p. 344]

Advantages of ZBB are its ease of implementation into any type of organization structure and, if working properly, its superior management information system afforded to top level decision making. Disadvantages

include ZBB's lack of emphasis on planning and an inordinate amount of paper work and people needed to manage it [Ref. 15:pp. 102-104]

(4) Congressional Reform. Since the passing of the Budgeting and Accounting Act of 1921 that placed the budget preparation in the hands of the President, Congress' power over the nation's financial matters has slowly eroded while the power of the Executive Office has increased with the growth of budget complexities. Although the original intention of the 1921 legislation was to provide a means for Congress to approve the budget as a whole, this centralization never developed and the budget continued to be approved on a piecemeal basis. Some fifty years later, Congress found itself in the same situation as in 1921, except now the defender of budget proposals, the Executive Office, was armed with budgeting experts [Ref. 11:pp. 153-154]. William J. Baroody, Jr., President of the American Enterprise Institute for Public Policy Research, summed up Congress' dilemma this way:

"Congress may have the constitutional power to tax and spend, but it had no orderly procedure for considering the budget as a whole."

A reminder to Congress of this imbalance of power was the negative influence used by Presidents such as the use of vetoes and refusal to spend appropriated dollars by "impoundments". During President Nixon's administration,

impoundments were used on almost a routine basis. The countervailing consequence was the passing of the Budget Impoundment and Control Act of 1974 [Ref. 18:p. xi].

Stanley E. Collender poses six problems that led to the passing of this new legislation:

- "1. Congress did not have enough time to complete work on all budget bills before the start of the fiscal year.
- "2. Congress had no ability to set spending priorities.
- "3. Congress had no ability to set economic policy.
- "4. Objective data on budget matters were not available to Congress.
- "5. Congress had no way to impose spending discipline on its committees.
- "6. Congress had no procedures for overcoming presidential impoundments." [Ref. 19:pp. 13-15]

The act established a Congressional Budget Office (CBO), staffed with over 200, and budget committees in both the House and Senate to alleviate the imbalance of power between executive and legislative branches. It forced Congress to evaluate total receipts and expenditures and specifically authorize budget deficits [Ref. 15:p. 105]. It also changed the fiscal year to begin on October 1 instead of July 1 and provided procedures with which Congress can review and approve presidential impoundment [Ref. 19:p. 15].

(5) Incrementalism. Incrementalism is not a technique of budgeting reform, as with PPBS, MBO, and ZBB, but more of a theory which explains the decisions of

budgeting [Ref. 11:p. 15]. This is supported by the fact that incrementalism was present during all three of the previously mentioned budget reform techniques according to Wildavsky and Leloup. In 1964, Wildavsky wrote:

"Federal budgeting today is incremental rather than comprehensive, calculated in bits and pieces rather than as a whole, and veils policy implications rather than emphasizing them." [Ref. 3:pp. 135-136]

Later, in 1978, Leloup stated:

"For over a decade, incrementalism has dominated conceptualization, analysis, and description of the budgetary process." [Ref. 20:p. 64]

Incrementalism derives its name because the budget as a whole is not considered but only the marginal changes to an already existing base that focuses on dollars rather than goals [Ref. 11:pp. 15-16].

B. THE BUDGET PROCESS

The passing of the Congressional Budget Act of 1974 contributed to the complexities of governmental budgeting but did not disturb the "classical" framework in use for some forty years. This framework of the budgeting process consists of three parts: budget formulation, Congressional budget review, and budget execution [Ref. 21:p. 11]. The budget formulation responsibility was given solely to the President under the Budget and Accounting Act of 1921 [Ref. 10:p. 49]. Even though the President is given sole responsibility for budget formulation, nearly all of the

preparation is conducted by the Office of Management and Budget (formerly BOB) and the departments and agencies. To provide the President with the reconciliation of budget conflicts, Lance T. Leloup suggests the President consider five types of priority-level decisions: (1) total spending; (2) total revenues and tax changes; (3) budget deficits or surplus; (4) changes in expenditure trends; and (5) new programs and initiatives [Ref. 11:pp. 131-134].

The formulation process begins at the agency or department level with budget policy development designed to achieve the policy guidance of the President. Next, agency annual budget estimates are compiled and submitted to OMB. After OMB review, the President reviews the budgetary situation, makes final decisions, and transmits recommended budget proposals to Congress [Ref. 11: Appendix A]. .

The Congressional Budget review process, although relatively simple in design, is complex in execution [Ref. 22: p. 3]. Collender breaks this process into four stages as follows:

- STAGE ONE: THE PRESIDENT'S BUDGET, February 1 to March 15
- STAGE TWO: THE FIRST CONCURRENT RESOLUTION, March 15 to May 15
- STAGE THREE: AUTHORIZATIONS AND APPROPRIATIONS, May 15 to September 10
- STAGE FOUR: THE SECOND CONCURRENT RESOLUTION, September 10 to September 15 [Ref. 19:pp. 15-18]

The heart of the process lies in the two concurrent budget resolutions. This is one of the most complex processes because each resolution contains final aggregates for total revenues, new budget authority, outlays, budget surplus or deficit, and public debt. In addition, claims on the budget from appropriations, allocation of tax burdens, and entitlements must be legislated into law [Ref. 22:p. 3]. Leloup simplifies the Congressional Budget process into five budgetary decisions of (1) establishing budget totals for revenues, expenditures, and deficit or surplus; (2) authorizing programs; (3) appropriating money to programs; (4) raising revenues; and (5) oversight and review to insure that funds are spent as intended. Table I illustrates these five Congressional decisions and how they are categorized by level of budgeting, key Congressional actors, types of Congressional action, and duration of actions [Ref. 11: pp. 155-157].

Allen Schick relates that the major problem with the Congressional budget process is that its creation under legislative conflict results in political compromises and the exercise of peer pressure. Schick states:

"In Congress, the budget committees stand on level ground with the committees subject to budgetary constraint. The budget committees cannot issue orders binding on peer committees, nor can they prevail when challenged by other committees unless they have more votes than the others. In these confrontations among peers, the outcome will depend on the particulars of each case, the lineup of legislative interests, and the mood within Congress. No peer structure can long survive if one side wins or loses all the time." [Ref. 22:p. 5]

TABLE I
CONGRESSIONAL DECISION CATEGORIES

BUDGETING LEVEL	DECISION	KEY CONGRESSIONAL ACTORS	TYPE ACTION	DURATION
PRIORITY	BUDGET TOTALS	BUDGET COMMITTEES	CONCURRENT RESOLUTIONS	ANNUAL
PROGRAM	AUTHORIZATIONS	AUTHORIZATION COMMITTEES	LEGISLATION AUTHORIZATION & ENTITLEMENTS	ANNUAL, MULTIYEAR, & INDEFINITE
	APPROPRIATIONS	APPROPRIATIONS COMMITTEES	INDIVIDUAL APPROPRIATIONS BILLS	ANNUAL
	REVENUES	WAYS & MEANS, FINANCE COMMITTEES	PERMANENT & SHORT-TERM TAX CODE CHANGES	ANNUAL & INDEFINITE
OPERATION	OVERSIGHT & REVIEW	APPROPRIATIONS & AUTHORIZATIONS COMMITTEES, CBO, & GAO	HEARING, PROGRAM EVALUATIONS, & AUDITS	PERIODIC

Taken from Budgetary Politics, Second Edition, p. 157, by Lance Lehoucq.

C. SIZE OF THE PUBLIC SECTOR

Historically, governments have been criticized because of their tendency to increase in size at proportions greater than population growth. A German economist, Adolf Wagner, first noted this tendency back in 1882. Wagner's formulation of the "law of increasing state activity" still holds true for the modern day DOD budget in the United States [Ref. 7:pp. 38-40]. To illustrate, the population of the U.S. has risen from approximately 151 million in 1950 to 226 million in 1980 [Ref. 23] and the DOD budget outlays have increased from \$22 billion (constant 1972 dollars) in 1980 [Ref. 24]. The DOD's growth of 336% over this period more than doubles the population growth rate of 151%. But is this type of public sector measurement meaningful to most budget analysts? No. Measuring the size of the DOD budget can be done in many ways and one may be assured that the politicians or journalist will use the method that best fits their purposes. Most budget experts advocate a conversion of all dollar figures to constant dollars and then comparison of these values with an indicator of the wealth of the nation such as GNP. Conversion of all dollar amounts to constant dollars allows for the examination of real growth by removing the effects of inflation. Comparison of DOD budget to GNP gives the most valid indication of the relative sizes of the private and public sectors [Ref. 11:pp. 36-41].

D. BUDGET OUTLAYS AND AUTHORITY

Just as important as knowing the various methods of measuring the DOD budget is the classification of dollar values to be analyzed such as outlays and authority.

Budget authority consists of the permission granted to an activity to make commitments to spend money. It is conducted in Congress under a two step process. First, an authorization must be passed that consists of substantive legislation setting forth the purpose and guidelines as well as a monetary limit in order for a program to exist. The monetary limit is referred to as total obligational authority (TOA), and sets a ceiling on the amount of dollars to be spent for a particular program.

Second, an appropriation must pass that will give an activity the right to make commitments and spend money. Appropriations for individual programs can be passed for dollar values up to but not exceeding TOA. Both processes, authorization and appropriation, must have been undertaken before a budget authority exists.

Outlays, on the other hand, are the direct result of budget authority and represent the actual dollars spent. However, outlays for a particular fiscal year will be the sum of current budget authority being spent plus previous years' budget authority. For example, FY 1985 Federal budget authority equals \$1,006.5 billion of which \$747.3

billion will be spent in the current year while the other \$259.2 billion will be spent in future years. Outlays for FY 1985 equal the \$747.3 billion from current year budget authority plus \$178.2 billion from previous year's unspent authority for a total of \$925.5 billion. [Ref. 19:p. 6]

A key determinant in this level of outlay is the "mix" of monies being spent or how the money was allocated over the four major DOD appropriations of Procurement, Operations and Maintenance, Military Personnel, and Research and Development. Table II shows how these various types of funds are expended over a period of time. Outlays always lag authority and this is especially true for procurement dollars that fund complex, long lead-time projects such as shipbuilding, aircraft, and missile systems [Ref. 25: pp. 287-290].

TABLE II
RATE OF OUTLAY PER DOLLAR OF BUDGET AUTHORITY

CATEGORY	YEARS				
	1	2	3	4	more than 4
1. PROCUREMENT*	.14	.36	.19	.08	.22
A. SHIPBUILDING	.03	.13	.14	.14	.55
B. AIRCRAFT	.10	.40	.30	.10	.10
C. MISSILES	.30	.55	.14	.01	---
2. RESEARCH AND DEVELOPMENT	.59	.34	.05	.01	.01
3. MILITARY PERSONNEL**	.98	.02	---	---	---
4. OPERATING COSTS	.83	.14	.03	---	---

SOURCE: OSD COMPTROLLER

* Shipbuilding, Aircraft, and missiles averaged together equal procurement total.

** Note that after two years, Military Personnel funds are 100% spent while Shipbuilding's are only 16% spent.

III. DATABASE

A. COLLECTION AND METHODOLOGY

Budget data used in this study consists of actual outlays for the Department of Defense (military functions only) from fiscal years 1952 through 1984. Source of budget figures is The Budget of the United States Government for fiscal years 1954 through 1986 [Ref. 24]. The most accurate account of budget outlays is contained in The Budget of the United States Government printed two years later. For instance, budget outlays for FY52 were taken from the FY54 printing, FY53 from the FY55, and so on. This methodology was used consistently throughout the thirty-three fiscal years tabulated. The reader should be aware that a fiscal year started and ended on 1 July 19X1 and 30 June 19X2 respectively prior to the passing of the Congressional Budget and Impoundment Control Act of 1974 and now starts and ends on 1 October 19X1 and 30 September 19X2 respectively. This new fiscal cycle commenced on 1 October 1976. The period from 1 July 1976 through 30 September 1976, used as a transition quarter, is normally referred to as FY1976T (tango). This transition period was left out of the data presentation and analysis of this study because the figures are relatively small, compared to FY76 or FY77, and

have no meaning other than to distort the data if combined with either of the FY76 or FY77 totals [Ref. 2:p. 18]. The reader should also be aware that a given fiscal year, such as FY19X2, begins on 1 October 19X1 (1 July 19X1 prior to 1976) and ends on 30 September 19X2 (30 June 19X2 prior to 1976).

GNP data were obtained from the historical tables found in the Statistical Abstract of the United States for 1985 [Ref. 23]. Table III shows actual GNP and DOD outlays, both in current dollars, for the fiscal years 1952 through 1984. The DOD budget outlays as a percentage of GNP are also provided for each year in Table III. Notice that actual DOD outlays, as a percentage of GNP, have gradually declined over this period from a higher in 1953 of 13.2% to a low in 1978 and 1979 of 4.9%. On the average, GNP has increased by \$101.3 billion per year while DOD outlays have increased by \$5.68 billion per year giving an average DOD outlay to GNP ratio over this period of 5.6%.

In order to look at real change, without the effects of inflation, appropriate deflators were used from the Economic Report of the President for 1985 to express the current figures presented in Table III into constant 1972 dollars [Ref. 5]. These deflators are provided in Table IV and their results are provided in Table V in the same format as Table III. Again, the DOD outlays, as a percentage of GNP,

TABLE III
 GNP, DOD BUDGET OUTLAYS, AND DOD OUTLAYS
 AS A PERCENT OF GNP IN CURRENT DOLLARS
 (dollars in billions)

<u>YEAR</u>	<u>GNP</u>	<u>DOD</u>	<u>DOD AS % OF GNP</u>
1952	339.3	38.9	11.5
1953	361.3	47.6	13.2
1954	364.2	40.3	11.1
1955	380.6	29.7	7.8
1956	411.8	35.8	8.7
1957	433.9	38.4	8.8
1958	443.1	39.1	8.8
1959	474.4	43.6	9.2
1960	497.9	42.8	8.6
1961	509.3	44.7	8.8
1962	548.2	46.8	8.5
1963	578.0	49.9	8.6
1964	618.2	49.7	8.0
1965	659.5	46.1	7.0
1966	724.1	54.4	7.5
1967	777.3	67.5	8.7
1968	831.3	77.4	9.3
1969	910.6	77.9	8.6
1970	968.8	77.2	8.0
1971	1,031.5	74.5	7.2
1972	1,128.8	75.2	6.7
1973	1,252.0	73.3	5.9
1974	1,379.4	77.6	5.6
1975	1,479.9	85.0	5.7
1976	1,640.1	88.0	5.4
1977	1,862.8	95.7	5.1
1978	2,091.3	103.0	4.9
1979	2,357.7	115.0	4.9
1980	2,575.8	132.9	5.2
1981	2,885.9	156.1	5.4
1982	3,046.0	182.9	6.0
1983	3,221.4	205.0	6.4
1984	3,581.1	220.8	6.2

SOURCE: DOD Data from the Budget of the United States Government,
 FY 1954 - 1986.
 GNP data from the Statistical Abstract of the United States
 for 1985.

TABLE IV
1972 CONSTANT DOLLAR DEFLATORS FOR GNP AND DOD

<u>YEAR</u>	<u>GNP DEFLATOR</u>	<u>DOD DEFLATOR</u>
1952	57.92	48.9
1953	58.82	50.1
1954	59.55	49.9
1955	60.84	50.4
1956	62.79	52.9
1957	64.93	55.1
1958	66.04	57.7
1959	67.60	59.0
1960	68.70	59.4
1961	69.33	60.2
1962	70.61	62.0
1963	71.67	63.5
1964	72.77	65.1
1965	74.36	67.1
1966	76.76	70.0
1967	79.06	72.7
1968	82.54	76.5
1969	86.79	80.1
1970	91.45	86.6
1971	96.01	92.7
1972	100.00	100.0
1973	105.75	106.3
1974	115.08	114.9
1975	125.79	106.3
1976	132.34	133.5
1977	140.05	142.8
1978	150.42	153.1
1979	163.42	164.8
1980	178.42	185.2
1981	195.60	207.6
1982	207.38	221.4
1983	215.34	232.1
1984	223.38	241.4

SOURCE: The Statistical Abstract of the United States

TABLE V
GNP, DOD BUDGET OUTLAYS, AND DOD OUTLAYS
AS A PERCENT OF GNP IN CONSTANT DOLLARS
(dollars in billions)

<u>YEAR</u>	<u>GNP</u>	<u>DOD</u>	<u>DOD AS % OF GNP</u>
1952	585.8	67.3	11.4
1953	614.2	80.9	13.2
1954	611.6	67.7	11.1
1955	625.6	48.9	7.8
1956	655.8	57.3	8.7
1957	668.3	59.2	8.9
1958	671.0	59.1	8.8
1959	701.8	64.5	9.2
1960	724.7	62.3	8.6
1961	734.6	64.4	8.8
1962	776.4	66.3	8.5
1963	806.5	69.7	8.6
1964	849.5	68.4	8.1
1965	886.9	62.1	7.0
1966	943.3	70.1	7.4
1967	983.2	85.3	8.7
1968	1,007.1	93.4	9.3
1969	1,049.2	89.7	8.5
1970	1,059.4	84.4	8.0
1971	1,074.4	77.6	7.2
1972	1,128.8	75.2	6.7
1973	1,183.9	69.3	5.9
1974	1,195.9	67.5	5.6
1975	1,176.5	67.6	5.7
1976	1,239.3	66.5	5.4
1977	1,330.1	68.3	5.1
1978	1,390.3	68.3	4.9
1979	1,442.7	70.6	4.9
1980	1,443.7	74.5	5.2
1981	1,475.4	79.8	5.4
1982	1,468.9	88.2	6.0
1983	1,496.0	95.2	6.4
1984	1,603.1	98.8	6.2

Figures derived by multiplying deflators by 100 then dividing into current dollar figures on previous tables.

have declined over this period with highs and lows. The average GNP increase per year using constant dollars is \$31.9 billion while DOD outlays increase per year is \$1.0 billion for an average DOD outlay to GNP ratio over this period of 3.1%.

The next step was to calculate the percent increase or decrease from the previous year using the constant 1972 dollar figures of Table V. To start this calculation, GNP and DOD outlay figures (in 1972 constant dollars) for 1951 are required to compute FY52 changes and are \$547.9 billion and \$34.9 billion respectively. Annual increases or decreases for each of the two categories are in Table VI. In order to facilitate analysis of budget behavior as compared to the wealth of the nation, an attempt to divide Table VI into logical categories was made. The first attempt was four groupings as follows:

	<u>GNP</u>	<u>DOD OUTLAYS</u>
GROUP 1	INCREASE	INCREASE
GROUP 2	INCREASE	DECREASE
GROUP 3	DECREASE	INCREASE
GROUP 4	DECREASE	DECREASE

It was felt that comparison of the budget justifications between the four groups may lead to a "best course of action to follow" given a certain trend or forecast in the economy.

TABLE VI
PERCENT CHANGE FROM PREVIOUS YEAR
FOR GNP AND DOD OUTLAYS

<u>YEAR</u>	<u>GNP</u>	<u>DOD</u>
1952	6.9	94.3
1953	4.9	20.3
1954	(0.4)	(16.2)
1955	2.3	(27.9)
1956	4.8	17.4
1957	1.9	3.3
1958	0.4	(0.1)
1959	4.6	9.0
1960	3.3	(3.3)
1961	1.4	3.4
1962	5.7	2.9
1963	3.9	5.2
1964	5.3	(1.9)
1965	4.4	(9.2)
1966	6.4	14.2
1967	4.5	20.4
1968	2.4	9.8
1969	4.2	(4.3)
1970	1.0	(6.0)
1971	1.4	(7.9)
1972	5.1	(3.2)
1973	4.9	(7.8)
1974	1.2	(2.7)
1975	(1.8)	0.2
1976	5.3	(1.6)
1977	7.3	2.7
1978	4.5	0.3
1979	3.8	3.0
1980	0.1	5.5
1981	2.2	7.2
1982	0.1	10.5
1983	1.8	7.9
1984	7.2	3.8

Figures derived by taking the difference of two consecutive years and dividing by the first year.

In thinking about how aggressive DOD proponents may be in the budget process, some account must be taken of DOD trends against general trends in the economy. Look again at the situation in 1984 (Table VI) when GNP increased at a greater rate than DOD. Jerry McCaffery, Professor of Public Budgeting at Naval Postgraduate School, characterized this situation as a "window of opportunity" since society's resources and hence, capacity to provide for defense, grew faster than the actual growth in defense funding. External factors drive the need to spend for DOD, but the growth in relative wealth for spending is there. The opposite situation occurs in 1954; here GNP decreases, but DOD spending is decreased greater than the GNP decrease. This is an example of "resource starvation" and, perhaps, DOD proponents would argue that DOD spending ought to decrease no faster than the rate of change in the economy. This description could also be applied to 1954 when DOD declined at a greater rate than GNP. A situation like that of 1975, when DOD increased but GNP decreased, is described as a year of "embarrassment of riches" by McCaffery. He says this description is due to the fact that the DOD budget increased over the previous year but the cost of goods and services in the market place went down, thus DOD benefitted from its increase plus a hidden increase resulting from the decrease of inflation. DOD need not be so aggressive in this

situation. A final situation occurs in 1973 when GNP increases while DOD decreases. McCaffery describes this situation as one of "resource frustration" on the part of the DOD. This frustration develops not only because the budget was cut from the previous year but also because a higher price had to be paid for goods and services than previously experienced [Ref. 26].

Unfortunately, the break down of the years into the four groups did not avail itself to analysis as 19 of 32 years fell in the Group 1 category, 12 of 32 in Group 2, with Groups 3 and 4 receiving one year each. This lack of equity did, however, force a better method of tying DOD outlays to the wealth of the nation (GNP) with results that were equitable. Instead of comparing "gross" percentage increases and decreases of GNP and DOD outlays, a "net" percentage was computed by taking the difference between the two columns of data in Table VI. The results are shown in Table VII. The following illustrates how this calculation was made for five years of interest:

<u>YEAR</u>	<u>GNP % CHG</u>	<u>DOD % CHG</u>	<u>NET % CHG</u>
1953	4.9	20.2	15.3
1954	(0.4)	(16.2)	(15.8)
1973	4.9	(7.8)	12.7
1975	(1.8)	0.2	2.0
1984	7.2	3.8	(3.4)

Notice that in years when GNP increases, such as 1953, 1973, and 1984, the DOD change is adjusted down and when GNP decreases, such as 1954 and 1975, DOD change is adjusted up. It is felt that this gives a better indication of how DOD outlays fared with respect to the wealth of the nation. In John Anderson's thesis [Ref. 2], which this study closely resembles, 1984 is categorized as a year in which funds were "abundant" because of the percentage increase of DOD outlays over the previous year. However, as shown above, 1984 is a year in which funds decreased relative to the increased wealth of the nation. It is for this and other reasons that the data presented in this study will differ from the Anderson thesis.¹ The remainder of this study will be devoted to select years, using Table VII, to determine if statements and testimony by the President and Secretary of Defense before Congress, have a bearing on the outcomes of DOD outlays.

¹Although Anderson referred to his data as DOD outlays, the budget figures used in his thesis were actually budget authority figures. The difference between outlays and authority was discussed earlier in Chapter II. It is agreed; however, that the data presented in this study would have led Anderson to draw the same basic conclusions regarding the four major appropriations of the DOD on which he concentrated. These four appropriations that Anderson analyzed are Operation and Maintenance (O & M), Procurement (PROC), Military Personnel (MP), and Research, Development, Test, and Evaluation (RDT&E). Briefly his conclusions were that MP was the most stable, followed by O & M, and that PROC and RDT&E were the most volatile with PROC faring better when funds were "abundant" and RDT&E faring better when funds were "tight" [Ref. 2:pp. 40-41].

TABLE VII
NET PERCENT CHANGE IN DOD OUTLAYS

<u>YEAR</u>	<u>NET PERCENT CHANGE</u>
1952	87.4
1953	15.3
1954	(15.8)
1955	(30.2)
1956	12.6
1957	1.4
1958	(0.5)
1959	4.4
1960	(6.6)
1961	2.0
1962	(2.8)
1963	1.3
1964	(7.2)
1965	(13.6)
1966	7.8
1967	15.9
1968	7.4
1969	(8.5)
1970	(7.0)
1971	(9.3)
1972	(8.3)
1973	(12.7)
1974	(3.9)
1975	2.0
1976	(6.9)
1977	(4.6)
1978	(4.2)
1979	(0.8)
1980	5.4
1981	5.0
1982	10.4
1983	6.1
1984	(3.4)

Figures derived by applying the change in GNP for each year to the change in DOD outlays.

B. THE STUDY

This thesis is an investigation of how DOD budget justifications varied over periods of growth, stability, and declining years similar to John Anderson's [Ref. 2] "top, middle, and bottom" categories. Stable changes in DOD outlays were those that fluctuated by less than five percent. Although this cutoff was chosen arbitrarily, it roughly coincides with the average growth rate of GNP over this time period of 5.4%, and it allows for an equitable division of years among the three categories. The Growth category (net change greater than or equal to a 5% increase) consists of ten years (see Table VIII), the Stable category (net change less than a 5% increase or decrease) consists of twelve years (see Table IX), and the Declining category (net changes less than or equal to a 5% decrease) consists of eleven years (see Table X). Years in Tables VIII, IX, and X are ranked in order of highest net change to lowest. A glance at these tables tells that the greatest increase in DOD outlays occurred in 1952 (87.4%), the greatest decrease in 1955 (15.8%), and the year in which the least change occurred was in 1958 (.5% decrease).

Five years will be chosen from each category for further analysis as follows: the five top years from the Growth years (1952, 1967, 1953, 1956, and 1982). The five years closest to a zero change from the Stability years (1958,

TABLE VIII
GROWTH YEARS - TOP TEN

<u>YEAR</u>	<u>NET CHANGE</u>
1952	87.4
1967	15.9
1953	15.3
1956	12.6
1982	10.4
1966	7.8
1968	7.4
1983	6.1
1980	5.4
1981	5.0

TABLE IX
STABLE YEARS - MIDDLE TWELVE

<u>YEAR</u>	<u>NET CHANGE</u>
1959	4.4
1961	2.0
1975	2.0
1957	1.4
1963	1.3
1958	(0.5)
1979	(0.8)
1962	(2.8)
1984	(3.4)
1974	(3.9)
1978	(4.2)
1977	(4.6)

TABLE X
DECLINING YEARS - BOTTOM ELEVEN

<u>YEAR</u>	<u>NET CHANGE</u>
1960	(6.6)
1976	(6.9)
1964	(7.2)
1972	(8.3)
1969	(8.5)
1971	(9.3)
1973	(12.7)
1965	(13.6)
1954	(15.8)
1955	(30.2)

1979, 1963, 1957, and 1975) and the five bottom years from the declining category (1971, 1973, 1965, 1954, and 1955). Reducing the number of years in each category in this manner serves to eliminate any marginal years that could belong to more than one category. For instance, 1980 and 1981 are very close to being categorized as years of Stability as opposed to years of Growth. Likewise, 1977 and 1978 might be considered by some as better suited for the Declining years category instead of Stability years. The selection of the most representative members from each group should remove any doubts as to their validity. Each group is well represented with the lowest percent increase from the Growth years at 10.2% (1982), the least stable year from the Stability years at 2.0% (1975), and the smallest decrease from the Declining years at 9.3% (1971).

IV. ANALYSIS, CONCLUSIONS, AND RECOMMENDATIONS

It was previously mentioned in this study that a budget is linked to the social, economic, and political atmosphere present at the time of its passage [Ref. 3:pp. 127-144]. While this study does not attempt to prove this statement fully, it will focus on the political influence exerted on Congress by the administration submitting the budget. While the full economic impact of a particular year will not be analyzed in depth, it is felt that the adjustment of DOD outlay changes with respect to GNP captures the trend of the economy over this period. Social impact, at the time of budget passage, is the hardest factor to quantify but in many cases is the most influential. Because of this difficulty in quantifying its results, and its controversial nature, social impacts will only be referred to in the broadest of terms.

The purpose of this study is to determine if there are certain approaches to DOD budget justifications that are more successful, or unsuccessful, than others. The idea that fundamental changes in budget justifications, presented to approving authorities, might influence the final outcome is not new, but is one that is hard to prove decisively. A given economic situation (such as The Great Depression) or a

major social uprising (such as the Civil Rights Movement) can easily overcome the very best or very worst in one's chosen words of budget defenses. Since volumes could be written on this subject, as it relates to the thirty-three years of data compiled, this study will limit further analysis to those years that best represent the previously mentioned Growth, Stability, and Declining years. These years along with their net percentage change, are tabulated for reference in Table XI.

This study will center on budget justification included in the Budget Message of the President to Congress and the Secretary of Defense' statement and testimony before the House of Representatives' Appropriations Committee. Two aspects will be dealt with: (1) the different types of justifications advocated by the President and SECDEF before the House of Representatives for their budgets, and (2) degree of success in the House of Representatives by these arguments. The source of information was the President's Budget Message, taken from the Budget of the United States Government [Ref. 24], and the record of hearings of the House of Representatives' Appropriations Committee. Table XII shows the results.

A. JUSTIFICATIONS

There was only one type of budget justification used in all fifteen years. The "support of allied commitments"

TABLE XI
SUMMARY YEARS OF ANALYSIS
WITH NET PERCENT CHANGE

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GROWTH YEARS

1952	87.4
1967	15.9
1953	15.3
1956	12.6
1982	10.4

STABLE YEARS

1975	2.0
1957	1.4
1963	1.3
1958	(0.5)
1979	(0.8)

DECLINING YEARS

1971	(9.3)
1973	(12.7)
1965	(13.6)
1954	(15.8)
1955	(30.2)

TABLE XII

PRIMARY JUSTIFICATION USED FOR YEARS OF ANALYSIS

TYPE OF JUSTIFICATION	<u>GROWTH</u>					<u>STABLE</u>					<u>DECLINING</u>				
	52	67	53	56	82	75	57	63	58	79	71	73	65	54	55
1. CHARACTERIZATION OF CURRENT MILITARY STRENGTH															
a. is adequate	X		X			X	X	X	X	X	X	X	X	X	X
b. not adequate		X		X	X										
2. INFLATION		X				X	X		X	X	X	X	X	X	X
3. NEED FOR MODERNIZATION					X		X	X	X	X	X	X	X	X	X
4. ALLIED COMMITMENTS	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
5. COMPLEX WEAPONS COST MORE				X			X	X	X	X	X	X		X	X
6. ONLY A SMALL INCREASE										X					
7. RETENTION OF PERSONNEL					X	X	X								
8. INCREASES WILL QUICKLY STRENGTHEN FORCES					X										
9. TO OVERCOME PREVIOUS YEARS OF CUTBACK				X	X										

Compiled from statements and testimony of Secretary's of Defense for fiscal years above before the Subcommittee of the Committee on Appropriations in the House of Representatives and Senate.

justification was probably used both for its importance and its ease of use; that is, the fact that allied commitments are documented explicitly in treaties with other nations. Secretary of Defense Schlesinger commented on America's burden to aid other countries as a way of life in his statement before the House of Representatives in defending the FY 1975 budget:

"The United States has been forced to bear a considerable military burden since the Second World War, because of the diminution in the power of other countries. That has changed the character of American life to a considerable degree. I see an alternative to that." [Ref. 27:p. 575]

The justifications of inflation, need for modernization, and higher cost of complex weapons were each utilized in nine of the fifteen fiscal years. Four of these were yearss of decline while only one was a year of growth. Secretary of Defense Wilson's comments on the FY58 budget were typical:

"Half of it due to the increasing price level and cost level of materials, wages, and services and the other half was the increased cost of new and more complex items." [Ref. 28:p. 65]

Two of the justifications were used only once. Secretary of Defense Harold Brown's use of "just a modest increase" [Ref. 29:p. 349] contributed to keeping the FY79 budget relatively stable with regard to the previous year. But the notion that "quick dividends will be seen from the increases" paid off well for Secretary of Defense Casper Weinberger's FY82 budget. He stated:

"Our proposed increases would significantly and quickly strengthen our ability to respond to the Soviet threat at all levels of conflict and in all areas of the world vital to our national interests." [Ref. 30:p. 15]

Retention of personnel was used in three years with no real conclusions to be drawn other than the need for maintaining an all-volunteer force. Secretary of Defense Weinberger felt that retention was "the most serious single readiness problem" in his statement to Congress on the FY 1982 budget:

"These increases will be directed to the following broad categories. First, readiness Second, personnel. The most serious single readiness problem we have today is the shortage of experienced personnel, in particular in the senior enlisted ranks and in certain critical job skills both for officers and for enlisted personnel We believe that a return to pay comparability is essential to retaining our most experienced personnel. The Reagan budget asks for an additional \$400 million in FY1981 and \$1.8 billion in FY1982" [Ref. 30:pp. 19-20]

The most significant justification over this period seems to be the characterization of current military strength as being adequate or inadequate. Three of the fifteen fiscal years analyzed characterized the current military strength, or budget that supports it, as inadequate. All three of these years fell into the Growth group. This single distinction in budget justifications appears to have had the greatest effect on the success or failure of budget passage. This may bear more credence after evaluating the two Growth years that were successful in spite of this justification.

The original budget proposals for FY52 and FY53 were submitted on the basis of funds needed to sustain military

forces during a peacetime environment with little or no consideration to the Korean conflict. The costs of actual military activities were submitted to Congress in the form of supplementals as funds were required. A discussion in the Senate Committee on Appropriations between Senator Homer Ferguson of Michigan and Secretary of Defense Robert A.

Lovett best describes this situation:

Ferguson: "Is there anything in this budget of \$57 billion plus for the battles in Korea, for the actual Korean War?"

Lovett: "Yes, sir."

Ferguson: "How much of it?"

Lovett: "The forces stationed in Korea are provided for here on a so-called peacetime consumption rate."

Ferguson: "Is this peace in Korea? Is this peacetime in Korea?"

Lovett: "No, sir; but we have no means of estimating accurately now in advance, how many shells will be expended, and so forth. It depends on the rate of activity."

Ferguson: "Mr. Lovett, if we do not have a way of estimating what we are going to need in Korea while the war is actually going on in Korea, how can we ever anticipate what we are going to need in a war that has not started?"

Lovett: "We have not anticipated needs for a war that has not started. We are estimating on the requirements of a minimum defense force. The wartime expenditures would be incalculable."

Ferguson: "Why can we not get those Korean items in the regular budget? Why do we not get them in here?"

Lovett: "You get them in supplementals because we come up only when we have actual provable deficiencies." [Ref. 31:pp. 26-27]

This approach of increasing the FY52 and FY53 budgets was not always employed during times when actual conflicts existed. In FY67, at the height of the Vietnam Conflict, the consensus of both the President and the Secretary of Defense was that increases were needed because current military strength was not adequate. They did, however, include in their initial budget proposal significant funding for the Southeast Asian conflict. This question was put to Secretary McNamara by the Chairman of the House Appropriations Committee, George H. Mahon, as follows:

Mahon: "Will the estimates for fiscal year 1967 adequately fund the currently approved military plans and programs, including those pertaining to the war in southeast Asia, for the entire fiscal year?"

McNamara: "No, sir." [Ref. 32:p. 71]

This premise was used as the foundation for justification of increases over the original budget estimates and was supported by President Johnson's budget message to Congress that not supporting the budget would be ridiculous.

"It would be folly to present a budget . . . inadequate . . . to sustain Vietnam forces." [Ref. 24: FY67]

In FY67, this 'less than adequate' justification was used to obtain initial funding but again, as with FY52 and FY53, supplementals were used to expand the budget even more. The following excerpt from Congressional Quarterly testifies to this:

"In planning its fiscal year 1967 Budget, the Administration made the assumption--adopted for budgeting purposes only--that the Viet Nam War would end concurrently with the end of the fiscal year. With escalation of the war . . . it soon became obvious that a supplemental appropriation would be needed for fiscal 1967."

"Congress March 21 cleared an Administration-requested bill (H R 7123) appropriating \$12,196,520,000) to the Defense Department to finance United States military operations in Viet Nam through June 30, the end of the fiscal 1967."

"It was the third consecutive year that Congress had been called on to provide supplemental appropriations specifically for the war effort in Southeast Asia."
[Ref. 33:pp. 209-210]

Situations of external conflicts such as FY52, FY53, and FY67 presented administrations with easy opportunities to ensure their defense budgets have ample funding because of the urgency that surrounds them. This urgency, and the fact that Americans are in actual combat situations, makes it extremely difficult for members of Congress to deny these requests. Many members of Congress have close ties, some directly, with World War II and may have relatives or friends who are directly involved with current conflicts. Such social implications play important roles in determining the attitudes of Congress and would be an excellent topic for further research. However, two of the Growth years occurred when no official police action was being pursued by the U.S., FY56 and FY82.

When comparing FY56 and FY82 as profiled on Table XII, there are two justifications that are common. Both used the

justification of a 'less than adequate' military strength combined with a need to overcome previous years of cutback. The cutbacks of FY56 were made primarily by Congress due to the end of the Korean hostilities. The cutbacks of FY82 were made by the previous administration. Both fiscal years found the use of these two justifications successful and it is felt that future use of these justifications will prove successful also, if the situation arises. Both years used similar tactics under similar social conditions with the same result, success. The blame for the cutbacks was put in diplomatic terms in both years and major concentration was on the urgent need to build up the military to a proper level. Secretary of Defense Weinberger's testimony best sums up their position:

"Today, the budget is not sufficient for our strategic needs It is clearly inadequate to support our widespread commitments in peacetime." [Ref. 30:p. 15]

In summary, it should be apparent that the type of justifications are directly related to the other environmental factors, both social and political, that are present at the time. Secretary Weinberger's statement above was certainly easier for him to make given that the original budget proposal was formulated and submitted under the Carter Administration.

One of the more interesting years for analysis was FY65. Only two major themes of budget justifications were used.

In fact, the Johnson Administration was actually seeking budget decreases in the Defense budget. The strategy was to prevent Congress from appropriating more funds than desired. It is suspected that this was done so that more funds could be utilized towards social programs in building Johnson's Great Society. Overall, the testimony of the Secretary of Defense McNamara before the House of Representatives Appropriations Committee concentrated more on budget formulation and PPBS than it did on actual substantiation. President Johnson's Budget Message to Congress for FY65 almost depicts the current military forces as being too strong. He states:

"We have now increased the strength of our forces so that, faced with any threat of aggression, we can make a response which is appropriate to the situation." [Ref. 24: 1965]

This point was driven home by Secretary of Defense McNamara:

"I do not believe any additional military power would greatly increase our security, the security of the West I believe our present military strength is at about an optimum level I believe our military power is substantially greater than that of the Soviet Union as it must be, recognizing our greater commitments and greater responsibilities worldwide." [Ref. 34:p. 41]

B. SUCCESS RATES OF BUDGET SUBMISSIONS

In order to determine the relative success of the various types of justifications presented in Table XII, a comparison of Defense budget dollars requested versus those approved by the House of Representatives has been calculated

in Table XIII. A glance at both the individual and group percentages tells little of any significance between the Growth and Stability years, but both of these groups fared much better than the Declining years.

A better evaluation for grading the success of using the "adequate military strength" versus the "inadequate military strength" would be to group them by these two justifications and compare their results in the aggregate. This is done in Table XIV. Now it can be seen that the use of a justification that characterizes the current military strength as "inadequate" is historically more successful than claiming otherwise. The key to this statement is "historically". The future use of such a justification will not significantly contribute to the success or failure of the budget, or then again it might.

There are too many extraneous reasons for a budget to fail or succeed. The point the reader should remember is that budget justifications are shaped by the social, economic, and political environments present at a particular time. Accurately interpreting these outside factors and "playing up" those that are in your favor and "playing down" those that are not are essential ingredients to a successful budget.

C. AREAS FOR FURTHER RESEARCH

The DOD budget offers a wide range of areas for further study. There are many possibilities for expanding the

TABLE XIII
SUCCESS OF REQUESTED BUDGETS
(dollars in hundreds of thousands) --

<u>GROWTH YEARS</u>	<u>REQUESTED</u>	<u>HOUSE APPROVED</u>	<u>PERCENT APPROVED</u>
1982	200,878	197,443	98.2
1956	32,233	31,488	97.6
1953	51,391	46,207	89.9
1967	57,664	58,616	101.7
1952	57,680	56,035	97.1
	<hr/>	<hr/>	<hr/>
TOTAL	399,846	389,789	97.5
<u>STABLE YEARS</u>			
1975	87,057	82,984	95.3
1957	34,148	33,635	98.5
1963	47,907	47,839	99.8
1958	36,128	33,635	92.9
1979	119,300	119,019	99.7
	<hr/>	<hr/>	<hr/>
TOTAL	324,540	317,040	97.7
<u>DECLINING YEARS</u>			
1971	68,746	66,807	97.2
1973	79,594	74,578	93.7
1965	47,471	46,759	98.5
1954	40,720	34,434	84.6
1955	29,887	28,684	95.9
	<hr/>	<hr/>	<hr/>
TOTAL	266,418	251,262	94.3

Compiled from appropriate years of Congressional Quarterly Almanac.

TABLE XIV
 SUCCESS OF REQUESTED BUDGETS FOR
 "CHARACTERIZATION OF CURRENT MILITARY STRENGTH"
 JUSTIFICATION

<u>MILITARY STRENGTH</u>	<u>REQUESTED</u>	<u>HOUSE APPROVED</u>	<u>PERCENT APPROVED</u>
ADEQUATE	700,029	670,544	95.7
NOT ADEQUATE	290,775	287,547	98.9

research presented here. The three groupings of Growth, Stable, and Declining Years could be evaluated as to the affects of social and political implications. This could include such factors as the civil rights movement, women's liberation, economic recessions, and the Iranian hostage crisis. Another possibility would be to take the present framework of this study to determine if similar patterns of justifications exist within the various service departments of DOD.

A final topic for further research might be to analyze justifications used by another agency of the Federal Government (such as Transportation) to see how their approaches to budget justification compares to the data presented here.

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